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WASHINGTON REELS OVER IRAN-CONTRA REVELATIONS  
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WASHINGTON

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President Reagan headed for his mountaintop retreat in California today, leaving behind a National Security Council shattered by a complex foreign operation gone wrong and a capital reeling with shock.

Before leaving for his ranch for the four-day Thanksgiving holiday, the president was expected to take steps to set up a blue ribbon commission to review the role and procedures of the National Security Council (NSC) staff and of foreign and national security policy.

Reagan yesterday announced the resignation of NSC adviser Adm. John Poindexter and the dismissal of his deputy, Marine Lt.-Col. Oliver North, following the disclosure they were involved in diverting funds from clandestine arms sales to Iran to U.S.-backed Nicaraguan rebels.

The coupling of arms for the hostile Iranian regime with the perennially controversial issue of aid to the contras brought an outpouring of criticism both in Congress and on television from Democrats and Republicans, former government officials and political analysts who professed to see a president with a foreign policy in crisis and a White House in disarray.

Attorney General Edwin Meese said \$10 million to \$30 million in profits from U.S. arms resold to Tehran by Israel had moved through Swiss bank accounts to the Nicaraguan rebels, known as contras, at a time when the Congress had cut off military aid to the guerrillas.

The secret operation gradually unfolded over the past three weeks, after it was first leaked by the Iranians, with the pressure steadily mounting on the White House despite a nationally-televised speech and a subsequent news conference by the president.

Reagan said the operation, which started 18 months ago, was designed to establish better ties with the strategically important nation, bring an end to the six-year-old Persian Gulf war and obtain the release of American hostages held by Iranian-backed factions in Lebanon.

As a show of good faith, Reagan said, he allowed what he called a "modest" quantity of arms to be sent to Iran, and to make that possible last January 17 he approved a finding waiving the arms embargo imposed against Iran in 1979

when Tehran took 52 Americans hostage for 444 days.

He said he did not know about the financial transaction by which profits from the arms sales were transferred to the contras until he was informed by Meese on the weekend.

Meese said North was the only person in the administration who "knew precisely" of the operation under which the United States shipped an estimated \$12 million worth of anti-tank and anti-aircraft weapons to Israeli go-betweens, who in turn sold them to Iran for \$22 million to \$42 million.

After paying the United States the estimated value of the weapons, the Israeli arms dealers then deposited the remaining funds in a numbered Swiss bank account available to the contras.

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The Israeli government confirmed yesterday it had transferred arms to Israel for the United States but denied it knew payments were channeled to the contras.

Contra leader Adolfo Calero said in Miami his organization had not received any of the funds described by Meese.

Administration sources discovered the diverted funds late last week when they reviewed a secret intelligence interception of communications in which Iranians and perhaps others discussed the price of the weapons in amounts far higher than their actual value, the Washington Post said today.

In addition to Reagan's own commission, the Iran operation triggered an apparently open-ended series of investigations, including a continuing probe by Meese's Justice Department into possible criminal action and several, already under way or planned, in Congress.

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Rep. Peter Rodino, a New York Democrat, and Sen. Patrick Leahy of Vermont called for appointment of a special prosecutor, as was done in the Watergate investigation of President Richard Nixon's White House, to investigate who had known what and when about the Iran affair.

Senate Republican Leader Robert Dole of Kansas praised Reagan but added:

"The revelation that there is some kind of connection, apparently via unauthorized actions, to private efforts to aid the contras is a bizarre twist which has to be explored thoroughly before any final judgments are drawn."

Sen. Sam Nunn, a Georgia Democrat who will head the influential Armed Services Committee in the new Senate, said: "It appears there may have been legal violations (in the Iran operation) and I am sure the Attorney General is going to make a thorough and exhaustive study of these."

At least five laws dealing with control of arms exports, anti-terrorism, Congressional oversight of intelligence operations and military aid to the contras were possibly contravened, according to critics.

In addition, many quarters questioned how North, a low-ranking Marine officer, could have carried out a wide-ranging operation involving the transfer of millions of dollars.

Leahy, currently vice chairman of the Senate Intelligence Committee, said: "Somehow Colonel North was able to set up a Swiss bank account, move \$30 million around and nobody knew what was going on."

Leahy added: "I feel very, very confident that lies have been told by people within the administration and lies continue to be told."

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Sen. David Durenberger, a Minnesota Republican, said: "I think Ollie North is not a Lone Ranger ... operating strictly on his own," and added his committee hoped to take testimony from the Marine colonel.

Durenberger added: "It's going to be a cold day in Washington before any more money goes into Nicaragua."

The role of the Central Intelligence Agency (CIA) was also unclear.

Authoritative sources said it apparently got arms from the Defense Department and sold them to the Israelis for resale to Iran. But members of Congressional intelligence committees said they did not think CIA Director William Casey had lied to them when he said he had no knowledge of the dealings.

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However, Leahy said: "I am not convinced there were not people in the CIA who knew this was going on."

There was also doubt whether the heads of Poindexter and North would be the only ones to roll.

Rep. Les Aspin, chairman of the House Armed Services Committee which has been holding hearings on the Iran affair, said the president had done the right thing in "clearing the decks" but suggested more departures may be necessary.

"Poindexter and North were involved ... but the other two were (White House chief of staff Donald) Regan and (Secretary of State George) Shultz," said Aspin, a Wisconsin Democrat.

"If you have a clearing of the decks, you have to make sure you clear the decks far enough ... and the question now is whether (dismissal of) Poindexter and North has done it."

Meese urged all senior officials, who have been bickering and backstabbing over who knew what and when in the Iran affair, to "stand shoulder to shoulder" with the president in the crisis.

Shultz, who was reported to have aroused White House animosity by repeatedly distancing himself from the whole operation, yesterday pledged support for Reagan's initiative.

"I think the president has been giving magnificent leadership. We have a foreign policy in place that is strong, that is serving the interests of the United States ... and I am proud to be a part of the president's efforts in this regard, including what we are trying to do in the Middle East," he said.

Some analysts said Shultz had recaptured control of foreign policy for the State Department from the National Security Council, but others predicted continuing hostility by White House staff would eventually bring about his resignation.

The Washington Times said today the money Iran used to pay for the U.S. arms was supplied by Saudi Arabian interests. Quoting well informed sources who asked not to be identified, the report said the Saudis were persuaded by North it would be in their interest to help Iran buy the arms.

The telling argument to the Saudis, the Times said, was that it would ease relations with Iran, which have been tense because Saudi Arabia supported Iraq, Iran's enemy in their six-year war.

It would also give them a way to help the Nicaraguan rebels, whom they have been reported as supporting, although contra leaders have said they had no funds from Riyadh.